

April 1, 2008

Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Comments of Southern California Edison Company
(U 338-E) on Draft Resolution E-4160

Dear Mr. Gatchalian:

Southern California Edison Company ("SCE") appreciates the opportunity to comment on the Energy Division's Draft Resolution E-4160 (the "Draft Resolution") implementing Senate Bill ("SB") 1036. The Draft Resolution states that it implements SB 1036 in the following manner:

- (1) Directs the investor owned utilities ("IOUs") to adjust their respective Public Purpose Program rate components collecting the public goods charge ("PGC");
- (2) Directs the IOUs to amortize funds transferred from the New Renewable Resources Account in their Public Purpose Program rate component;
- (3) Directs Bear Valley Electric Services to establish an account to record unencumbered renewable funds transferred from the California Energy Commission ("CEC") back to Bear Valley;
- (4) Establishes the total cost limitation for above-market price referent ("MPR") costs each utility can expend on the procurement of eligible renewable energy resources;
- (5) Outlines methodology for an above-MPR fund ("AMF") Calculator for the calculation of AMF requests and the tracking of approved AMF requests;
- (6) Sets forth eligibility criteria for power purchase agreement costs that may be applied to the cost limitation;
- (7) Sets forth reasonableness standards for reviewing above-MPR contract costs; and
- (8) Sets forth administration rules for the AMFs.

On March 26, 2008, through a joint party letter, SCE, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the Center for Energy Efficiency and Renewable Technologies, and the California Wind Energy Association, requested that the California Public Utilities Commission's (the "Commission") Executive Director bifurcate the policy issues related to

AMFs (items 4 to 8) from the Draft Resolution to allow for additional stakeholder input through comments and workshops. The parties further requested that the Commission approve the Draft Resolution solely with respect to the adjustments in the IOUs' rate component (items 1 to 3).

In a letter dated March 28, the Commission's Executive Director granted the request as to the bifurcation of issues 5 through 8. That letter, however, requested that parties still submit comments as to all of the issues in the Draft Resolution and stated that the Commission will determine whether or not to bifurcate issue 4 based on those comments.

SCE is providing comments on the Draft Resolution consistent with the Executive Director's request. But, as with the implementation of other legislation, a thorough examination of the issues is required before Commission action can be taken on the implementation of SB 1036. Attempting to accomplish this through comments on a draft resolution is inappropriate.

Background

SB 1036 terminates the CEC's responsibility to award and administer supplemental energy payments to renewable generators used to subsidize renewables portfolio standard ("RPS") contracts to the extent such contracts exceed the MPR. Instead, SB 1036 requires the Commission to establish a limitation on the total costs of RPS contracts above the MPR for each utility (also known as "above-MPR funds" or "AMFs").¹ This limitation is equal to the amount of PGC funds currently accrued in the New Renewable Resources Account, plus the portion of PGC funds that the IOUs would have collected for this account through January 1, 2012.² SB 1036 requires the Commission to count those RPS contracts with above-MPR costs towards an IOU's cost limitation provided such contracts meet certain conditions.³ If an IOU exceeds its cost limitation, then its procurement obligation is limited to the quantity of renewable resources that it can procure at or below the MPR.⁴

The Draft Resolution commits errors in its attempt to implement SB 1036 by:

- Establishing a methodology to calculate the IOUs' total cost limitation (*i.e.*, the AMF) that is incorrect by taking the nominal value of funds collected in the future and discounting monies paid to generators out of the AMF.
- Providing too much discretion to the Commission to revoke or reduce an AMF award. This discretion leaves open the possibility that the Commission would be able to nullify the customer safeguard embedded in SB 1036.
- Failing to provide unequivocal language that approval of an AMF-eligible, above-MPR contract, including rate recovery and AMF allocation, is subject to the reasonableness criteria.

¹ See Pub. Util. Code Section 399.15(d).

² See Pub. Util. Code Section 399.15(d)(1).

³ See Pub. Util. Code Section 399.15(d)(2).

⁴ See Pub. Util. Code Section 399.15(d)(3).

- Establishing additional AMF-eligibility requirements beyond those already provided for in the statute.
- At a time when the Commission should be promoting RPS resources, establishing a two-tiered contract-approval reasonableness standard that is a significant barrier to RPS development and the IOUs' ability to meet the RPS goals.
- Establishing a contract amendment approval standard that may have a chilling effect on the number of bids the IOUs receive.

The Commission Should Bifurcate The Issue Of Determining The IOUs' Total Above-MPR Cost Limitation Amount (Items 4 & 5)

The Commission has taken prompt action on the joint parties' request, but SCE urges it not to take quick action on issue 4: "Establish[ment] of the total cost limitation for above-MPR costs each utility can expend on the procurement of eligible renewable energy resources."⁵ Resolution of this issue will have as great an impact as any of the other issues the Commission has already bifurcated. More importantly, the methodology used to calculate the total value of the cost limitation is incorrect. As with the issues that have already been bifurcated, the Commission will benefit greatly from a complete record developed through additional comment and workshops on this issue.

Furthermore, SCE understands the Commission's desire to approve the rate-making components of SB 1036. But no rationale exists for rushing the determination of each IOU's AMF amount. Regardless of what the Commission determines with respect to this issue, the IOUs, by definition, will not draw against these funds until the Commission resolves the other bifurcated AMF issues. Therefore, because the importance of this issue is great and the harm in delaying its approval is negligible at best, the Commission should bifurcate this issue to allow further stakeholder input. In the alternative, if the Commission chooses not to bifurcate this issue, it should modify the Draft Resolution consistent with the recommendations below.

The methodology used to calculate the IOUs' total cost limitation (*i.e.*, the AMF) is incorrect. As provided for by statute, an IOU's AMF is equal to the amount of PGC funds currently accrued, plus the portion of PGC funds that the IOUs would have collected through January 1, 2012.⁶ SCE does not dispute this formula. SCE, however, does dispute how the Draft Resolution determines the amount of funds the IOUs would have collected through 2012 as it is applied to the Draft Resolution's AMF calculator. Specifically, when the Draft Resolution adds the previously accrued funds to those funds that the IOUs would have collected to establish an AMF in 2008\$, the Draft Resolution incorrectly takes the *nominal* value of the amount of funds that would have been collected through 2012.⁷ The Draft Resolution then further exacerbates this problem by discounting credits against the AMF (*i.e.*, the future above-MPR payments to renewable generators) by a rate

⁵ *Id.* at 7.

⁶ See Pub. Util. Code § 399.15(d)(1).

⁷ For example, in the Draft Resolution this total for SCE is: \$191.2 million (previously accrued) + \$31.9 million (amount to be collected in 2008) + \$32.4 million (amount to be collected in 2009) + \$33 million (amount to be collected in 2010) + \$33.5 million (amount to be collected in 2011) = \$322 million (supposedly in year 2008 dollars).

equal to the IOUs' weighted average cost of capital to the year 2008. In effect, the Draft Resolution ignores the time value of money with respect to the future collection of funds, while applying it when deducting future payments made out of the fund. Such an inconsistency artificially inflates the AMF, increases costs to customers, and should be corrected.

The Draft Resolution's rationale for applying this inconsistency is that:

The calculator does not apply any discounting to the estimated collection of funds through 2012 because the mechanism used to establish the limit is based on "virtual" funds that would have been collected - no interest or financing costs are being incurred.⁸

This statement, however, fails to recognize that the AMFs are not "virtual." They are real in the sense they directly affect the amount of money required from the IOUs' customers to fund above-MPR contracts. By not discounting the funds the IOUs would have collected, the IOUs' customers "incur" the interest on these funds through additional future payments that must be made to renewable generators with above-MPR costs.

The inconsistencies and errors in the Draft Resolution's calculation of the AMF are caused, in part, by overcomplicating the AMF calculator. The Commission can resolve these issues by establishing a simple cash flow analysis -- much like the balancing of a checkbook -- to keep track of the total AMF and the debits and credits against the AMF. Under such a simplified model, the funds transferred by the CEC, interest on the AMF, and the funds that the IOUs would have collected in the future, would represent the cash flows in. The payments to projects with above-MPR costs would represent the cash flows out. By simply placing the cash flows into the years in which they are occurring and assuming a reasonable rate of return on the AMF balance, the Commission avoids the problems of attempting to discount accurately all monies back to 2008. An example of SCE's recommendation would look as follows:

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Inflows										
Interest on AMF Balance	\$10	\$10	\$10	\$10	\$11	\$10	\$10	\$9	\$8	\$7
Commission Funds Transferred	\$200									
New Virtual Additions	\$10	\$10	\$10	\$10						
Total Inflows	\$200	\$20	\$20	\$20	\$20	\$11	\$10	\$10	\$9	\$8
Outflows										
AMF Virtual Pmts to Project 1	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
AMF Virtual Pmts to Project 2	\$6	\$7	\$8	\$9	\$10	\$11	\$12	\$13	\$14	\$15
Total Outflows	\$0	\$16	\$17	\$18	\$19	\$20	\$21	\$22	\$23	\$24
AMF Balance	\$200	\$204	\$207	\$209	\$210	\$201	\$190	\$178	\$164	\$148
										\$130

Note that under the simple cash flow model, the Commission would not be required to deduct and add to the "checkbook" on a real-time basis. Once the Commission inputs all of the appropriate cash flows, it simply needs to look at the ending AMF balance to see whether the IOU has exhausted its fund.

⁸ Draft Resolution at 14.

In summary, the Commission should bifurcate the issue of establishing the total cost limitation from this Draft Resolution. SCE has demonstrated the problems associated with the Draft Resolution's methodology in calculating this amount and has attempted to provide a solution. But given the degree of change SCE is suggesting, the Commission may have further questions that SCE could address in workshops or through further comment. If, however, the Commission determines that bifurcation is unnecessary, then the Commission should eliminate its AMF calculation methodology and adopt the simple cash flow model explained above.

The Draft Resolution Provides Too Much Discretion To The Commission To Revoke Or Reduce An AMF Award (Item 8)

The Draft Resolution sets forth several scenarios under which the Commission would be able to reduce or revoke an AMF award.⁹ It appears that this discretion is applicable at any time from when an IOU submits a contract for Commission approval to when a project reaches commercial operation. The Draft Resolution, however, is not clear as to how the Commission will implement this discretion. Nor is it clear under what circumstances. For example, the Draft Resolution states that the Commission could partially approve AMFs in the contract approval process,¹⁰ yet it is not clear whether the Commission would then partially approve the contract for rate recovery. The Draft Resolution also allows the Commission to reduce or revoke AMFs if an RPS project fails to meet a contractual milestone;¹¹ but, again, it is not clear as to whether such reduction or revocation would also result in a loss of rate recovery.

More importantly, the Commission's ability to reduce or revoke AMFs based on a project's failure to meet a contractual milestone, leaves open the possibility that the Commission would be able to nullify the intent of SB 1036. SB 1036 is a customer safeguard. It limits the cost of renewables; thus, ensuring that the cost to reach the State's RPS goals are within reason.¹² But if the Commission had the ability to unilaterally revoke or reduce an AMF allocation simply based on a project's failure to reach a contractual milestone, then the Commission would be able to avoid implicating the cost limitation and customer safeguard embedded in SB 1036. Under such a scenario, the IOUs' customers would still be forced to bear these costs without limit and would establish a renewables *at any cost* regime; thereby, nullifying the intent of the statute.

While avoiding the establishment of a "blank check" for renewables is an important issue, SCE is cognizant of the Commission's concerns of not encumbering AMFs for projects that are distressed and have little possibility of meeting contracted on-line dates (thus implicating a different MPR). The Draft Resolution, however, provides too much discretion to the Commission with very little guidance on how the Commission will make such decisions. In order to balance these

⁹ See *id.* at 20 & 23-24.

¹⁰ See *id.* at 20.

¹¹ See *id.* at 23-24.

¹² Pub. Util. Code § 399.15(d): "The commission shall establish, for each electrical corporation, a limitation on the total costs expended above the [MPR] for the procurement of eligible renewable energy resources to achieve the annual procurement targets established under this article." Pub. Util. Code § 399.15(d)(3): "If the cost limitation for an electrical corporation is insufficient to support the total costs expended above the [MPR] for the procurement of eligible renewable energy resources satisfying the conditions of paragraph (2), the commission shall allow the electrical corporation to limit its procurement to the quantity of eligible renewable energy resources that can be procured at or below the [MPR]."

competing interests, the Commission should establish a clear and limited set of circumstances under which it can alter an AMF allocation. SCE suggests the following:

- Revocation of AMF allocation can only occur if the project's contract is terminated. The Commission cannot revoke an AMF allocation based on a missed contractual milestone.
- The Commission can only adjust the on-line date of a project for purposes of determining the applicable MPR (thus potentially reducing or increasing the AMF allocation). Such adjustment must be based on objective and certain evidence that indicates that a project's expected on-line date has been altered. It is important to note that this adjustment can result in moving the on-line date to both an earlier or later time. The Commission *cannot* reduce an AMF allocation by an arbitrary amount based on a missed contractual milestone.
- The IOUs should have some ability to challenge a change in an AMF allocation that it believes is unreasonable or based on a lack of evidence.
- Notwithstanding any of the changes that may be made pursuant to the guidelines outlined above, the AMF allocation for a project should always be "trued-up" in accordance with the actual on-line date of the project.

SCE believes these specific guidelines would address both the Commission's desire of having the IOUs' AMF properly reflect the impacts of changes in a project's status, while maintaining the customer safeguards found in SB 1036.

The Commission Must Clarify Under What Circumstances It Will Approve Above-MPR Contracts (Item 7)

The Draft Resolution sets forth reasonableness criteria for the approval of an "AMF request."¹³ Unfortunately, the language in the Draft Resolution does not definitively indicate exactly how the Commission will apply these criteria. Specifically, it is not entirely clear whether:

- (1) Approval of an AMF-eligible, above-MPR contract, including rate recovery and AMF allocation, is subject to the reasonableness criteria; or
- (2) An AMF-eligible contract can be approved for rate recovery, but, due to failure to meet AMF reasonableness standards, not approved for AMF allocation.

SCE assumes that the Commission intended the former interpretation. This interpretation appears logical given the title of the section regarding the review of these contracts: "*Reasonableness review for AMFs-eligible RPS projects seeking Commission approval of a PPA with an above-MPR contract price.*"¹⁴ And given that the second interpretation would completely nullify the intent of SB 1036 in that it would allow the Commission to avoid the cost limitation

¹³ See Draft Resolution at 19-22.

¹⁴ *Id.* at 19.

safeguard embedded in the bill. But other language in the resolution is open to the second and more problematic interpretation. For example, the Draft Resolution states in several places that satisfaction of the reasonableness criteria is needed for AMF allocation without reference to contract approval.¹⁵ Therefore, in a future decision on AMFs, the Commission must state in clear and unequivocal language that the approval of an AMF-eligible, above-MPR contract, including rate recovery and AMF allocation, is subject to the reasonableness criteria set forth in that decision.

The AMF-Eligibility Criteria Established By The Commission Is Overly Restrictive And Is Inconsistent With RPS Law (Item 6)

At a time when the Commission should be opening up broader opportunities for contracting and project development, the Draft Resolution does just the opposite. With even greater restrictions than the present environment, the Draft Resolution has the potential to significantly diminish the number and quality of new renewable proposals. These new restrictions could cause developers to forego bidding into California solicitations and focus on other states instead. With the current limitation on out-of-state deliveries and the inability to rely on renewable energy credits, proposals that otherwise might have been established to help California meet its renewable goals would represent lost opportunities. SCE encourages the Commission to reconsider whether its new policies advance or thwart renewables in California.

SB 1036 establishes certain criteria a contract must satisfy in order to count against an IOUs' AMF.¹⁶ The Draft Resolution sets forth AMF-eligibility criteria in addition to these requirements.¹⁷ These additional requirements, however, are either arbitrary or go beyond the language of the RPS statute. SCE briefly addresses the specific requirements below.

- **The Contract Price Is An All-In Fixed Price For A Bundled Energy Product From An RPS-Eligible Facility --** This requirement is arbitrary and without basis in the RPS statute. First, with respect to the “all-in, fixed price” requirement, this new restriction is inconsistent with California law. It is not referenced in the RPS Legislation. Nor does there appear to be a logical reason behind its application. Effectively, this requirement eliminates the use of index pricing. Index pricing, while not the primary approach, has been favored by some developers and has resulted in customer savings. The Commission should not preempt such deals from AMF-eligibility based on unknown and unstated reasons. Second, with respect to the “bundled energy” requirement, it is unclear whether there is any reason why the definition of bundled energy must include resource adequacy benefits. The RPS program in California is an energy-based program. Nothing in the program requires that a renewable project provide resource adequacy benefits. Moreover, the Legislature established the AMF to fund above-MPR costs of renewable resources to meet the RPS. Requiring resource adequacy benefits in order to qualify for such funding is completely outside of the intent and purpose of the RPS program and legislation.

¹⁵ See *id.* 19-21.

¹⁶ See Pub. Util. Code § 399.15(d)(2)(A)-(E).

¹⁷ See Draft Resolution at 19.

- **The Contract Is With An RPS-Eligible Facility That Is Physically Located In California** – Inclusion of this requirement constitutes legal error, because it is in direct conflict with the explicit language of the RPS statute. The Draft Resolution cites to Pub. Res. Code § 25740.5(c), which states that the RPS program’s objective is to foster “in-state renewable electricity generation facilities,” as its basis for including this requirement.¹⁸ The Draft Resolution, however, fails to recognize that the statutory definition of “in-state renewable electricity generation facilities,” provided in Pub. Res. Code § 25741(b), explicitly provides circumstances whereby an RPS-facility not physically located in California is considered “in-state” for purposes of the RPS program.
- **The AMFs Request Cannot Include Firming And Shaping Costs** – The Draft Resolution’s stated reason for not including firming and shaping costs as AMF-eligible is that they are not included in the MPR calculation.¹⁹ This reasoning is flawed. The MPR calculation is based on a proxy combined cycle gas turbine (“CCGT”),²⁰ which produces an energy product that is inherently firmed and shaped. Therefore, the cost of firming and shaping is inherently included in the cost of a CCGT and in the MPR methodology, and should be eligible for AMF allocation.

At A Time When The Commission Should Be Promoting RPS Resources, The AMF-Reasonableness Requirements Provide Significant Barriers To RPS Development And The IOUs’ Ability To Meet The RPS Goals (Item 7)

The Draft Resolution establishes rather onerous reasonableness standards for the approval of above-MPR contracts.²¹ SCE has serious concerns over the impact these new standards will have on the market for renewable resources. Namely, the standards established in the Draft Resolution are so stringent that it may be impossible for the IOUs to submit an above-MPR contract and receive Commission approval. Such restrictions will likely result in fewer RPS bids into the IOUs’ solicitation for fear of not being able to satisfy the Commission’s standards.

In addition to providing potentially unachievable standards, these new constraints to RPS development come at a very inopportune time. The lack of transmission and the difficulties in licensing, permitting, and constructing new transmission are a significant impediment on a developer’s ability to interconnect new renewable resources. Adding additional barriers in simply obtaining approval of an RPS agreement will further constrict an already tight renewable market. Given that California has some of the most aggressive renewable energy goals in the nation, the Commission should be working towards opening the renewable market in order to help obtain these goals. Unfortunately, the reasonableness standards provided in the Draft Resolution will increase constraints on new renewable development and will contribute to the barriers that already exist.

¹⁸ See Draft Resolution at 19, fn. 50.

¹⁹ See *id.* at 19, fn. 51.

²⁰ See D.05-12-042.

²¹ The applicability of these reasonableness standards is discussed in more detail above. For purposes of this section, SCE assumes that the approval of above-MPR contracts, including rate recovery, is contingent upon demonstrating these standards.

Furthermore, as a general principle, any reasonableness standard established by the Commission should be applicable to all contracts, including those below the MPR. The IOUs' customers bear the cost of all RPS contracts regardless of whether the contract price happens to be above or below the MPR. Given this reality, it makes little sense to draw an arbitrary line as to the level of scrutiny the Commission should apply in determining whether to approve a contract. Furthermore, it is difficult to imagine why a contract that is \$1/MWh above the MPR requires more intense scrutiny than a contract that is \$1/MWh under the MPR.

Keeping these general principles in mind, SCE briefly addresses each of the specific standards below.

Tier-1 – Project's requiring AMF less than \$5 million

- **The contract contains a realistic on-line date with the Commission given the discretion to use another on-line date if the project's on-line date estimate is not reasonable --** SCE does not necessarily disagree that developers should attempt to provide the most realistic on-line date for their projects. SCE, however, does object to providing the Commission with the discretion to dictate different on-line dates. Especially given that it would be difficult to imagine how the Commission would be in a better position to judge when a generator will come on-line than the parties actually developing the project.
- **The contract price compares favorably to bid supply curves --** This requirement appears redundant of the current contract review process. Plus, comparing all projects simply on price over-simplifies the selection process of RPS contracts. A contract that may be relatively high on the bid supply curve may offer additional advantages to the IOUs' customers that would justify the higher price. This standard ignores these potential advantages.
- **Independent Evaluator report reviewing the reasonableness of the PPA as well as the proposed project's financial model –** This requirement will likely have a significant chilling effect on the amount of bids the IOUs will receive in their solicitations. In the Commission's noble, yet misguided efforts to ensure that renewable developers are not exerting an undue amount of market power, the Commission may unduly limit the number of bids the IOUs receive in their solicitation.

Tier-2 – Project's requiring AMF greater than \$5 million

- **The project has secured 100% site control; The project's resource studies are complete; Transmission upgrade needs and costs are reasonably known –** SCE addresses these three requirements together because they all suffer from the same shortcoming: They directly conflict with the realities of the development nature of RPS projects and will be extremely difficult (if not impossible) for any above-MPR project to demonstrate. The current business model for a new RPS project is to first obtain a power purchase agreement, then begin the process of completing site control, resource studies, and transmission studies. Of these requirements,

demonstrating that transmission upgrade needs and costs are reasonably known is particularly troublesome. These costs are nearly impossible to estimate until the project's various transmission studies are complete. Typically, such studies occur well after the project has executed a contract.

- **The project's characteristics fit the IOU's electricity portfolio needs (in addition to RPS need)** – This requirement nullifies the IOUs' obligation to procure renewable resource in accordance with least-cost, best-fit principles, as set forth in D.03-06-071 and D.04-07-029.²² Moreover, this requirement will eliminate nearly every renewable technology except solar, in that solar is likely the only technology that fits the portfolio-needs examples identified in the resolution (*i.e.*, project matches the IOU's load profile, provides locational benefits, or provides desired operating flexibility).

The Reasonableness Requirements For Approval Of Contract Amendments May Have A Chilling Effect On The Number Of Bids The IOUs Receive (Item 7)

The Draft Resolution provides that an RPS project seeking approval of a contract amendment to a Commission-approved agreement must submit a significant amount of financial information related to the project, including line item listing of project costs, an original and revised financial model, and documentation of price increases for materials or equipment.²³ As with the Tier-1 reasonableness criterion requiring submittal of a project's financial model, requiring the submittal of this information has a strong possibility of resulting in a chilling effect on the number of bids the IOUs' receive in their solicitations. Because the execution of RPS agreements typically occur early in the development of an RPS project, and given the fast evolving nature of the renewable market, developers can face dramatic changes in the economics of a project. At times, these changes can demand amendments to previously approved contracts. If the Commission requires a project to submit the level of financial information currently required in the Draft Resolution in order to obtain approval of such amendments, an RPS developer may choose not to bid into the IOUs' solicitations at all knowing that it may have to provide such highly sensitive information.

Furthermore, without this financial information, the IOUs still must demonstrate contract amendment reasonableness. As in the past, the Commission has evaluated these requests without requiring specific project financial information. There is no reason why the Commission would be unable to make these same judgments in the future.

The Commission Must Clarify How It Will Administer The IOUs' AMFs (Item 8)

According to Pub. Util. Code § 399.15(d)(3), if an IOU exhausts its AMFs, the IOU's RPS procurement obligation is limited to the quantity of renewable resources that are available at or below the MPR. As stated above, under properly outlined circumstances, a change in the on-line date or the termination of a contract may result in a reduction (or potentially an increase) in the amount of encumbered AMFs for an IOU. If an IOU had previously exhausted its AMFs, such a

²² See also Pub. Util. Code § 399.14(a)(2)(B).

²³ See Draft Resolution at 22-23.

change could result in reinstating the IOU's duty to procure renewable resources above the MPR. The Commission must provide certainty as to when it will make such decisions in order to provide certainty to the IOUs' in their procurement strategies and decisions. Knowing whether it is required to procure renewable resources above the MPR would greatly impact the manner in which an IOU conducts its solicitation. It makes little sense to insert a level of uncertainty into the IOUs' solicitations by allowing multiple decisions throughout the year as to the reduction or termination of an AMF award. Thus, SCE suggests that the Commission establish set date(s), in coordination with the issuance of the IOU's RPS solicitation, upon which the Commission makes AMF allocation determinations.

Conclusion

The Commission should approve the portion of the Draft Resolution with respect to the items that implement SB 1036's rate-making components. The remaining issues should be withdrawn from the Draft Resolution and considered through formal Commission processes.

But if the Commission does not withdraw the remaining issues from the Draft Resolution, it should bifurcate the establishment of the total cost limitation for the IOUs from the Draft Resolution in order to consider these issues along with the other AMF issues the Commission has already bifurcated. In the alternative, if the Commission chooses not to bifurcate this issue, it should adopt the cash flow model recommend above for calculating AMFs. Finally, SCE has outlined some of the major concerns and issues in the Draft Resolution with respect to the bifurcated AMF issues. SCE hopes that its comments will help form the basis of future discussion and looks forward to participating in these processes.

Southern California Edison Company

/s/ AKBAR JAZAYERI

Akbar Jazayeri

cc: President Michael Peevey, CPUC
Commissioner Dian Grueneich, CPUC
Commissioner John Bohn, CPUC
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R.06-05-027, service list
R.06-02-012, service list